

**MONROE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2011**

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# MONROE COUNTY

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2011)		
Dennis J. Ryan	Board of Supervisors	Jan. 2011
Michael Beary	Board of Supervisors	Jan. 2013
John Hughes	Board of Supervisors	Jan. 2013
Jeannie Bettis	County Auditor	Jan. 2013
Peggy Vandenberg	County Treasurer	Jan. 2011
Tracy Casady	County Recorder	Jan. 2011
Daniel Johnson	County Sheriff	Jan. 2013
Steve Goodlow	County Attorney	Jan. 2011
Karen Fontinel	County Assessor	Jan. 2016
(After January 2011)		
Dennis J. Ryan	Board of Supervisors	Jan. 2015
Michael Beary	Board of Supervisors	Jan. 2013
John Hughes	Board of Supervisors	Jan. 2013
Jeannie Bettis	County Auditor	Jan. 2013
Peggy Vandenberg	County Treasurer	Jan. 2015
Tracy Casady	County Recorder	Jan. 2015
Daniel Johnson	County Sheriff	Jan. 2013
Steve Goodlow	County Attorney	Jan. 2015
Karen Fontinel	County Assessor	Jan. 2016

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Monroe County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Monroe County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe County at June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report March 27, 2012 on our consideration of Monroe County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 13 and 56 through 59 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monroe County's basic financial statements. The financial statements for the two years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
March 27, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Monroe County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- The County's Governmental Fund total revenues increased \$995,541 from fiscal year 2010 to fiscal year 2011. Property taxes and other county tax increased \$704,451.
- The County's Governmental Fund expenditures increased \$153,287 from fiscal year 2010 to fiscal year 2011. Capital projects expenditures made up the largest increase with \$136,759.
- The net assets of the County's governmental activities increased approximately 4.5%, or \$560,450, from June 30, 2010 to June 30, 2011.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Monroe County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Monroe County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Monroe County acts solely as an agent or custodian for the benefit of those outside of County Government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year and the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor Governmental and the individual Agency Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's Governmental Activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

## *Fund Financial Statements*

The County has three kinds of funds:

- 1) Governmental Funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) Permanent Funds. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds include the County's employee group health fund, which is an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the County Assessor and the agency funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. A two year comparison is shown below for the 2011 fiscal year and the 2010 fiscal year as restated, focusing on the changes in the net assets for governmental activities.

### Net Assets of Governmental Activities

	June 30, 2011	June 30, 2010
	<hr/>	<hr/>
Current and other assets	\$ 10,526,381	\$ 9,827,724
Capital assets	<u>9,074,574</u>	<u>9,265,020</u>
Total assets	<u>19,600,955</u>	<u>19,092,744</u>
Long-term liabilities	1,534,753	1,905,920
Other liabilities	<u>4,940,794</u>	<u>4,621,866</u>
Total liabilities	<u>6,475,547</u>	<u>6,527,786</u>
Net assets:		
Invested in capital assets, net of related debt	8,159,234	8,531,340
Restricted	2,597,512	2,442,090
Unrestricted	<u>2,368,662</u>	<u>1,591,528</u>
Total net assets	<u>\$ 13,125,408</u>	<u>\$ 12,564,958</u>

Net assets of Monroe County's governmental activities increased by \$560,450 from 2010 (\$13,125,408 compared to \$12,564,958). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets will be liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – are reported at \$2,368,662 at June 30, 2011.

## Changes in Net Assets of Governmental Activities

	Year Ended June 30, 2011	Year Ended June 30, 2010
Revenues:		
Program Revenues:		
Charges for services	\$ 406,176	\$ 400,381
Operating grants, contributions and restricted interest	3,023,248	2,572,805
Capital grants and contributions	78,960	793,458
General Revenues:		
Property tax	4,169,335	3,565,381
Penalty and interest on property tax	83,940	38,146
State tax credits	137,021	81,167
Local option sales and services tax	433,822	311,094
Unrestricted investment earnings	68,326	62,958
Miscellaneous revenues	<u>640</u>	<u>345,016</u>
Total revenues	<u>8,401,468</u>	<u>8,170,406</u>
Program Expenses:		
Public safety and legal services	1,185,357	1,053,648
Physical health and social services	818,699	818,858
Mental health	737,473	760,724
County environment and education	727,599	320,790
Roads and transportation	3,027,464	3,535,106
Governmental services to residents	340,525	350,426
Administration	921,863	902,642
Interest on long-term debt	<u>82,038</u>	<u>19,142</u>
Total expenses	<u>7,841,018</u>	<u>7,761,336</u>
Increase in net assets	560,450	409,070
Net assets beginning of year, as restated	<u>12,564,950</u>	<u>12,155,888</u>
Net assets end of year	<u>\$ 13,125,408</u>	<u>\$ 12,564,950</u>

## INDIVIDUAL MAJOR FUND ANALYSIS

As Monroe County completed the year, its governmental funds reported a combined fund balance of \$3,367,538, an increase of \$408,608 compared to last year's total of \$2,958,930. The increase in fund balance is primarily attributable to the General Fund and the Mental Health Fund. The following are the main reasons for the changes in fund balances of the major governmental funds from the prior year:

1. The General Fund ending balance increased \$129,924 compared to June 30, 2010. Revenues increased by \$285,582 from FY 2010 to FY 2011, while expenditures only increased by \$60,225 compared to FY 2010. Property and other County tax revenue increased \$359,459 due to a higher General Basic property tax levy. Due to changes in governmental accounting standards, the activity of the Conservation Land Acquisition Fund is now accounted for as General Fund transactions. This accounts for a portion of the increase in fund balance.
2. The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$737,016, a decrease of \$23,708 over the prior year. The Mental Health Fund ending balance was up \$189,096 from the prior year due to the increase of \$258,377 in revenues. Keeping the fund balance low in 2009 qualified Monroe County for state funding of the growth and other state allocation dollars in 2011. The ending fund balance in 2011 will also directly affect the state allocation of revenue for the 2013 fiscal year.
3. The Rural Services Fund ending balance increased \$74,343 from the June 30, 2010 balance, primarily due to a \$157,245 lower transfer to the Secondary Roads Fund. Compared to FY 2010, revenues increased \$98,136 and expenditures increased \$176,357, both due mainly to increased local option sales and services tax.
4. The Secondary Roads Fund expenditures for 2011 decreased \$250,439 compared to the prior year. Revenues were up \$124,871 in 2011, \$2,173,788 compared to \$2,048,917 in 2010 but interfund transfers in were down \$157,012. The cumulative effect was a decrease of \$21,469 in the ending fund balance compared to the prior year ending fund balance.

## **BUDGETARY HIGHLIGHTS**

During the year ended June 30, 2011, Monroe County amended its budget one time on March 8, 2011, which increased budgeted disbursements by \$987,060. Actual disbursements were \$2,147,688 less than budgeted for FY 2011. The County did not exceed budgeted disbursements in any functional area or appropriations in any department.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### *Capital Assets*

At June 30, 2011, Monroe County had \$9,074,574 invested in a broad range of capital assets (net of accumulated depreciation), including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease of \$190,446, or 2.1% over last year, due to depreciation expense being higher than new capital asset purchases.

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**Capital Assets of Governmental Activities  
At Year End**

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	June 30, 2011
<u>Acquisition cost:</u>	
Land	\$ 139,955
Buildings and improvement	2,711,557
Improvements other than buildings	72,000
Equipment and vehicles	4,587,942
Infrastructure	<u>7,110,541</u>
Total	\$ <u>14,621,995</u>
 <u>Accumulated depreciation:</u>	
Buildings and improvements	\$(1,094,716)
Improvements other than buildings	(64,800)
Equipment and vehicles	(3,361,858)
Infrastructure	<u>(1,026,047)</u>
Total	\$ <u>(5,547,421)</u>
 Net governmental activities capital assets	 \$ <u>9,074,574</u>

The County had depreciation expense of \$520,238 in FY11 and total accumulated depreciation of \$5,547,421 at June 30, 2011. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

*Long-Term Debt*

At June 30, 2011, Monroe County had \$1,534,753 in long-term liabilities compared to \$1,905,920 at June 30, 2010, as shown below:

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	June 30, 2011	June 30, 2010
Capital lease purchase agreements	\$ 39,878	\$ 53,783
Installment purchases	255,170	314,811
General obligation notes	1,023,563	1,318,596
Loans payable	42,857	82,143
Compensated absences	157,185	129,073
Net OPEB liability	<u>16,100</u>	<u>7,514</u>
Total	\$ <u>1,534,753</u>	\$ <u>1,905,920</u>

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The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County. Monroe County's outstanding general obligation debt is significantly below this limitation. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Monroe County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees that will be charged for various County activities.

Various indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are \$9,139,462, a decrease of 8.3% from the final fiscal year 2011 budget. The total County property tax levy for fiscal year 2012 increased \$99,504, or 2.3% compared to fiscal year 2011. The property tax levy rates, however, remained the same or decreased for all County governmental funds.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Monroe County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Monroe County Auditor's Office, 10 Benton Avenue East Street, Albia, Iowa 52531.

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## Basic Financial Statements

MONROE COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 4,646,922
Receivables:	
Property tax:	
Delinquent	93,908
Succeeding year	4,247,000
Interest and penalty on property tax	515,558
Accounts	6,409
Due from other governments	297,047
Loans receivable (note 4)	413,194
Inventories	178,122
Prepaid expenses	128,221
Capital assets, net of accumulated depreciation (note 5)	<u>9,074,574</u>
<b>Total assets</b>	<u>19,600,955</u>
<b>Liabilities</b>	
Accounts payable	305,727
Salaries and benefits payable	91,169
Due to other governments (note 6)	193,158
Incurred but not reported claims (note 11)	91,058
Accrued interest payable	12,682
Deferred revenue:	
Succeeding year property tax	4,247,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Capital lease purchase agreements	14,606
Installment purchases	62,213
General obligation notes	312,287
Loans payable	42,857
Compensated absences	121,020
Portion due or payable after one year:	
Capital lease purchase agreements	25,272
Installment purchases	192,957
General obligation notes	711,276
Compensated absences	36,165
Net OPEB liability	<u>16,100</u>
<b>Total liabilities</b>	<u>6,475,547</u>



MONROE COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2011

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 8,159,234
Restricted for:	
Supplemental levy purposes	663,674
Cemetery levy purposes	19,052
Mental health purposes	220,057
Rural services purposes	385,341
Secondary roads purposes	1,143,151
Debt service	41,114
Capital projects	157
Conservation purposes	112,452
Other purposes	12,514
Unrestricted	<u>2,368,662</u>
Total net assets	<u>\$ 13,125,408</u>

See notes to financial statements.

MONROE COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 1,185,357	\$ 126,932	\$ 13,829	\$ -	\$ (1,044,596)
Physical health and social services	818,699	19,072	309,796	-	(489,831)
Mental health	737,473	184	588,871	-	(148,418)
County environment and education	727,599	36,077	28,144	-	(663,378)
Roads and transportation	3,027,464	18,567	2,080,153	78,960	(849,784)
Government services to residents	340,525	139,507	-	-	(201,018)
Administration	921,863	65,837	2,455	-	(853,571)
Interest on long-term debt	82,038	-	-	-	(82,038)
Total	\$ 7,841,018	\$ 406,176	\$ 3,023,248	\$ 78,960	(4,332,634)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,830,996
Debt service					338,339
Penalty and interest on property tax					83,940
State tax credits					137,021
Local option sales and services tax					433,822
Unrestricted investment earnings					68,326
Miscellaneous					640
Total general revenues					4,893,084
Change in net assets					560,450
Net assets beginning of year, as restated (note 13)					12,564,958
Net assets end of year					\$ 13,125,408

See notes to financial statements.

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MONROE COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,452,090	\$ 335,240	\$ 380,335	\$ 1,074,402
Receivables:				
Property tax:				
Delinquent	51,971	7,047	27,730	-
Succeeding year	2,489,000	327,000	1,127,000	-
Interest and penalty on property tax	515,558	-	-	-
Accounts	911	-	-	1,021
Due from other governments	70,962	11,937	72,886	141,262
Loans receivable (note 4)	413,194	-	-	-
Inventories	-	-	-	178,122
Prepaid expenses	94,629	-	-	12,512
Total assets	<u>\$ 5,088,315</u>	<u>\$ 681,224</u>	<u>\$ 1,607,951</u>	<u>\$ 1,407,319</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 131,162	\$ 3,373,229
7,160	93,908
304,000	4,247,000
-	515,558
-	1,932
-	297,047
-	413,194
-	178,122
-	107,141
<u>\$ 442,322</u>	<u>\$ 9,227,131</u>

MONROE COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 106,751	\$ 43,236	\$ 4,528	\$ 138,155
Salaries and benefits payable	52,921	1,423	4,814	32,011
Due to other governments (note 6)	29,356	89,275	74,112	415
Deferred revenue:				
Succeeding year property tax	2,489,000	327,000	1,127,000	-
Other	980,625	7,040	27,721	-
Total liabilities	3,658,653	467,974	1,238,175	170,581
Fund balances:				
Nonspendable:				
Inventories	-	-	-	178,122
Prepaid expenses	94,629	-	-	12,512
Restricted for:				
Supplemental levy purposes	628,720	-	-	-
Cemetery levy purposes	18,898	-	-	-
Mental health purposes	-	213,250	-	-
Rural services purposes	-	-	369,776	-
Secondary roads purposes	-	-	-	1,046,104
Debt service	-	-	-	-
Capital projects	-	-	-	-
Conservation purposes	49,077	-	-	-
Other purposes	-	-	-	-
Unassigned	638,338	-	-	-
Total fund balances	1,429,662	213,250	369,776	1,236,738
Total liabilities and fund balances	\$ 5,088,315	\$ 681,224	\$ 1,607,951	\$ 1,407,319

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 13,057	\$ 305,727
-	91,169
-	193,158
304,000	4,247,000
7,153	1,022,539
<u>324,210</u>	<u>5,859,593</u>
-	178,122
-	107,141
-	628,720
-	18,898
-	213,250
-	369,776
-	1,046,104
40,405	40,405
157	157
65,036	114,113
12,514	12,514
-	638,338
<u>118,112</u>	<u>3,367,538</u>
<u>\$ 442,322</u>	<u>\$ 9,227,131</u>

## MONROE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2011

Total fund balances of governmental funds	\$ 3,367,538
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$14,621,995 and the accumulated depreciation is \$5,547,421.	9,074,574
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	1,022,539
The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	1,208,192
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(12,682)
Long-term liabilities, including capital lease purchase agreements, installment purchases, notes payable, loans payable, compensated absences payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,534,753)</u>
Net assets of governmental activities	<u>\$ 13,125,408</u>
See notes to financial statements.	



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MONROE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,403,964	\$ 325,798	\$ 1,525,284	\$ -
Interest and penalty on property tax	45,079	-	-	-
Intergovernmental	571,286	600,120	31,489	2,158,004
Licenses and permits	-	-	-	2,700
Charges for service	228,363	-	5,584	92
Use of money and property	85,441	-	-	-
Miscellaneous	12,885	194	-	12,992
Total revenues	3,347,018	926,112	1,562,357	2,173,788
Expenditures:				
Operating:				
Public safety and legal services	910,328	-	256,511	-
Physical health and social services	798,726	-	14,750	-
Mental health	-	737,016	-	-
County environment and education	160,243	-	138,305	-
Roads and transportation	-	-	-	2,799,411
Government services to residents	338,087	-	-	-
Administration	885,588	-	4,980	-
Debt service	57,213	-	-	60,189
Capital projects	20,520	-	433,822	25,584
Total expenditures	3,170,705	737,016	848,368	2,885,184
Excess (deficiency) of revenues over (under) expenditures	176,313	189,096	713,989	(711,396)
Other financing sources (uses):				
Sale of capital assets	-	-	-	3,892
Interfund transfers in (note 3)	-	-	-	686,035
Interfund transfers out (note 3)	(46,389)	-	(639,646)	-
Total other financing sources (uses)	(46,389)	-	(639,646)	689,927

	<u>Nonmajor</u>	<u>Total</u>
\$	331,186	\$ 4,586,232
	-	45,079
	23,099	3,383,998
	-	2,700
	1,773	235,812
	12,182	97,623
	-	26,071
	<u>368,240</u>	<u>8,377,515</u>

	-	1,166,839
	-	813,476
	-	737,016
	-	298,548
	-	2,799,411
	876	338,963
	-	890,568
	330,650	448,052
	-	479,926
	<u>331,526</u>	<u>7,972,799</u>

36,714	404,716
--------	---------

	-	3,892
	-	686,035
	-	(686,035)
	<u>-</u>	<u>3,892</u>

MONROE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

			Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads	
Net change in fund balances	\$ 129,924	\$ 189,096	\$ 74,343	\$ (21,469)	
Fund balances beginning of year, as restated (note 13)	1,299,738	24,154	295,433	1,258,207	
Fund balances end of year	<u>\$ 1,429,662</u>	<u>\$ 213,250</u>	<u>\$ 369,776</u>	<u>\$ 1,236,738</u>	

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 36,714	\$ 408,608
<u>81,398</u>	<u>2,958,930</u>
<u>\$ 118,112</u>	<u>\$ 3,367,538</u>

## MONROE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 408,608

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate those  
expenditures over the life of the assets. The amount of capital outlay  
expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 329,792	
Depreciation expense	<u>(520,238)</u>	(190,446)

Because some revenues will not be collected for several months after the  
County's year end, they are not considered available revenues and are  
deferred in the governmental funds, as follows:

Property tax	17,479	
Loans receivable	(54,453)	
Other	<u>38,861</u>	1,887

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the Statement of  
Net Assets. 368,579

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in the governmental funds, as follows:

Compensated absences	(28,112)	
Net OPEB liability	(8,586)	
Interest on long-term debt	<u>13,382</u>	(23,316)

The Internal Service Fund is used by management to charge the costs of  
the self funding of the County's health insurance benefit plan to individual  
funds. The change in net assets of the Internal Service Fund is reported  
with governmental activities. (4,862)

Change in net assets of governmental activities \$ 560,450

See notes to financial statements.

MONROE COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and investments	\$ 1,273,693
Accounts receivable	4,477
Prepaid expenses	<u>21,080</u>
Total assets	<u>1,299,250</u>
Liabilities	
Incurred but not reported claims (note 11)	<u>91,058</u>
Net Assets	
Unrestricted	\$ <u><u>1,208,192</u></u>

See notes to financial statements.

## MONROE COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND  
 Year Ended June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to operating funds	\$ 782,485
Charges to retirees	8,030
Insurance reimbursements	<u>44,080</u>
Total operating revenues	<u>834,595</u>
Operating expenses:	
Medical claims	624,641
Administrative fees	<u>232,990</u>
Total operating expenses	<u>857,631</u>
Operating loss	(23,036)
Non-operating revenues:	
Interest on investments	<u>18,174</u>
Net loss	(4,862)
Net assets beginning of year	<u>1,213,054</u>
Net assets end of year	<u>\$ 1,208,192</u>

See notes to financial statements.



MONROE COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 782,485
Cash received from retirees and others	47,633
Cash payments to suppliers for services	<u>(799,282)</u>
Net cash provided by operating activities	<u>30,836</u>
Cash flows from investing activities:	
Interest on investments	18,174
Purchase of investments	<u>(796,583)</u>
Net cash used by investing activities	<u>(778,409)</u>
Net decrease in cash and cash equivalents	(747,573)
Cash and cash equivalents beginning of year	<u>1,224,683</u>
Cash and cash equivalents end of year	<u>\$ 477,110</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (23,036)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
(Increase) in accounts receivable	(4,477)
(Increase) in prepaid expenses	(21,080)
(Decrease) in accounts payable	(11,629)
Increase in incurred but not reported claims	<u>91,058</u>
Net cash provided by operating activities	<u>\$ 30,836</u>
Reconciliation of cash and cash equivalents at end of year to specific assets included on Statement of Net Assets:	
Cash and investments	\$ 1,273,693
Less items not meeting the definition of cash equivalents:	
Certificates of deposit	<u>796,583</u>
Cash and cash equivalents end of year	<u>\$ 477,110</u>

See notes to financial statements.

MONROE COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2011

Assets	
Cash and pooled investments:	
County Treasurer	\$ 602,181
Other County officials	31,333
Receivables:	
Property tax:	
Delinquent	166,615
Succeeding year	8,094,000
Accounts	7,649
Prepaid expenses	<u>12,017</u>
Total assets	<u>\$ 8,913,795</u>
Liabilities	
Accounts payable	\$ 151
Due to other governments (note 6)	8,851,431
Trusts payable	<u>62,213</u>
Total liabilities	<u>\$ 8,913,795</u>

See notes to financial statements.

## MONROE COUNTY

### NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2011

#### Note 1. Summary of Significant Accounting Policies

Monroe County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Monroe County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County. Monroe County has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations** – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Monroe County Assessor's Conference Board and Monroe County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

##### B. Basis of Presentation

**Government-wide Financial Statements** – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

MONROE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

MONROE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

MONROE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Investments not meeting the definition of cash equivalents at June 30, 2011 included \$796,583 of certificates of deposit with maturity dates longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Loans Receivable – Loans receivable represents amounts outstanding and receivable from other entities for the payment of the Honey Creek notes and the Community Economic Betterment Account loan.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Intangibles	\$ 100,000
Infrastructure	65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

MONROE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-15
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted in any County function and disbursements did not exceed the amounts appropriated in any department.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 46,389
	Special Revenue:	
	Rural Services	<u>639,646</u>
		<u>\$ 686,035</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Loans Receivable

During the year ended June 30, 2005, the County entered into a promissory note receivable agreement with Relco Locomotives in the amount of \$300,000. The note is an interest-free agreement. The note is secured by personal guarantee and first position UCC-1 on specific machinery and equipment and was issued as part of an Iowa Economic Development CEBA Loan Program. As explained in Note 7, this transaction was enabled by a Community Economic Betterment Account interest free promissory note obtained by the County.

During the year ended June 30, 2008, the County entered into an agreement whereby the County issued \$400,000 of notes to help finance construction of Honey Creek Resort State Park. Rathburn Lake Resort Inc agreed to pay the County for the principal and interest on the notes when due from the pledge account. Appanoose County and the Hotel-Motel Tax Commission of the Centerville Area Chamber of Commerce agreed to contribute and pay to the donors, of which Monroe County is one of three, 85.71% of all hotel/motel tax revenues generated from the renting of the lodging facilities at the Honey Creek State Park to pay the principal and interest due on the donor obligations.

A summary of annual collections due to the County as of June 30, 2011 is as follows:

<u>Year Ending June 30,</u>	<u>Relco</u>	<u>Honey Creek Resort</u>	<u>Total</u>
2012	\$ 42,857	\$ 40,840	\$ 83,697
2013	-	54,453	54,453
2014	-	54,453	54,453
2015	-	54,453	54,453
2016	-	54,453	54,453
2017	-	54,453	54,453
2018	-	54,454	54,454
2019	-	2,778	2,778
	<u>\$ 42,857</u>	<u>\$ 370,337</u>	<u>\$ 413,194</u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 139,955	\$ -	\$ -	\$ 139,955
Capital assets being depreciated:				
Buildings	2,711,557	-	-	2,711,557
Improvements other than buildings	72,000	-	-	72,000
Machinery and equipment	4,506,719	329,792	248,569	4,587,942
Infrastructure	7,110,541	-	-	7,110,541
Total capital assets being depreciated	14,400,817	329,792	248,569	14,482,040
Less accumulated depreciation for:				
Buildings	1,015,711	79,005	-	1,094,716
Improvements other than buildings	67,392	(2,592)	-	64,800
Machinery and equipment	3,402,175	208,252	248,569	3,361,858
Infrastructure	790,474	235,573	-	1,026,047
Total accumulated depreciation	5,275,752	520,238	248,569	5,547,421
Total capital assets being depreciated, net	9,125,065	(190,446)	-	8,934,619
Governmental activities capital assets, net	\$ 9,265,020	\$ (190,446)	\$ -	\$ 9,074,574

MONROE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 36,094
Physical health and social services	9,506
County environment and education	14,983
Roads and transportation	421,513
Administration	<u>38,142</u>

Total depreciation expense - governmental activities	<u>\$ 520,238</u>
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Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 29,356
Special Revenue:		
Mental Health		89,275
Rural Services		74,112
Secondary Roads		<u>415</u>
Total for governmental funds		<u>\$ 193,158</u>
Agency:		
County Assessor	Collections	\$ 417,113
Schools		5,286,591
Area Schools		340,858
County Hospital		673,287
Corporations		1,555,630
Auto License and Use Tax		207,760
All Other		<u>370,192</u>
Total for agency funds		<u>\$ 8,851,431</u>

MONROE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year	Due Within One Year
Capital lease purchase agreements	\$ 53,783	\$ -	\$ 13,905	\$ 39,878	\$ 14,606
Installment purchases	314,811	-	59,641	255,170	62,213
General obligation notes	1,318,596	-	295,033	1,023,563	312,287
Loan payable	82,143	-	39,286	42,857	42,857
Compensated absences	129,073	157,185	129,073	157,185	121,020
Net OPEB liability	7,514	8,586	-	16,100	-
Total	<u>\$ 1,905,920</u>	<u>\$ 165,771</u>	<u>\$ 536,938</u>	<u>\$ 1,534,753</u>	<u>\$ 552,983</u>

Capital Lease Purchase Agreements

During the year ended June 30, 2007, the county entered into a capital lease purchase agreement for \$11,010 to purchase a conservation area mower. The agreement is payable in sixty equal monthly payments including interest at 9.25%. During the year ended June 30, 2009, the County entered into a capital lease purchase agreement to purchase computer equipment for the Public Health department with a total historical cost of \$55,000. The agreement is payable in six monthly payments of \$99 then fifty-four monthly payments of \$1,244.10 and includes interest at 7.75%. The following is a schedule of the future minimum lease payments, including interest, and the present value of net minimum lease payments under the agreements in effect at June 30, 2011:

Year Ending June 30,	Mower	Computer Equipment	Total
2012	\$ 2,299	\$ 14,929	\$ 17,228
2013	-	14,929	14,929
2014	-	12,281	12,281
Total minimum lease payments	2,299	42,139	44,438
Less amount representing interest	95	4,465	4,560
Present value of net minimum lease payments	<u>\$ 2,204</u>	<u>\$ 37,674</u>	<u>\$ 39,878</u>

Payments under capital lease purchase agreements for the year ended June 30, 2011 totaled \$17,688.

MONROE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 7. Long-Term Liabilities (continued)

Installment Purchases

During the year ended June 30, 2008, the County entered into an installment purchase agreement to purchase two motorgraders at a total historical cost of \$392,250. The agreement calls for two semi-annual payments, including interest, of \$15,047 for the first year of the agreement and \$33,055 for the remaining lease period through the year ending June 30, 2015. The purchase agreement has an effective annual interest rate of 4.96%.

During the year ended June 30, 2009, the County entered into an interest-free installment purchase agreement to purchase an imaging system for the County at a total historical cost of \$81,055. The agreement calls for five annual payments through the year ending June 30, 2014.

Details of the County's June 30, 2011 installment purchases are as follows:

Year Ending June 30,	Motor Graders			Imaging System
	Principal	Interest	Total	Principal
2012	\$ 50,200	\$ 9,988	\$ 60,188	\$ 12,013
2013	52,690	7,498	60,188	11,813
2014	55,303	4,885	60,188	15,104
2015	58,047	2,142	60,189	-
	<u>\$ 216,240</u>	<u>\$ 24,513</u>	<u>\$ 240,753</u>	<u>\$ 38,930</u>

Payments under installment purchase agreements for the year ended June 30, 2011 totaled \$71,865.

General Obligation Notes

During the year ended June 30, 2008, the County issued \$400,000 in general obligation corporate purpose notes for the County's share of constructing the Honey Creek Resort State Park. The notes have an interest rate of 4.50% per annum.

During the year ended June 30, 2008, the County issued a \$400,000 general obligation office building note for the purpose of purchasing and renovating additional Courthouse office and storage space. The note bears an interest rate of 5.50% per annum.

During the year ended June 30, 2009, the County issued a \$70,000 general obligation education center note for the purpose of purchasing real estate. The note bears an interest rate of 4.44% per annum.

During the year ended June 30, 2010, the County issued a \$600,000 general obligation county road improvement note for the purpose of paying for the improvement of county roads. The note bears an interest rate of 4.00% per annum.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 7. Long-Term Liabilities (continued)

General Obligation Notes (continued)

Details of the County's June 30, 2011 obligation notes are as follows:

Year Ending June 30,	Honey Creek Resort			Office Building		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 40,192	\$ 14,262	\$ 54,454	\$ 58,121	\$ 13,349	\$ 71,470
2013	42,094	12,359	54,453	61,441	10,029	71,470
2014	44,047	10,406	54,453	64,915	6,555	71,470
2015	46,092	8,361	54,453	68,586	2,884	71,470
2016	48,216	6,237	54,453	-	-	-
2017	50,469	3,984	54,453	-	-	-
2018	52,811	1,643	54,454	-	-	-
2019	2,746	32	2,778	-	-	-
	<u>\$ 326,667</u>	<u>\$ 57,284</u>	<u>\$ 383,951</u>	<u>\$ 253,063</u>	<u>\$ 32,817</u>	<u>\$ 285,880</u>

Year Ending June 30,	Education Center			Road Improvement		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 13,974	\$ 1,973	\$ 15,947	\$ 200,000	\$ 16,000	\$ 216,000
2013	14,599	1,348	15,947	200,000	8,000	208,000
2014	15,260	687	15,947	-	-	-
	<u>\$ 43,833</u>	<u>\$ 4,008</u>	<u>\$ 47,841</u>	<u>\$ 400,000</u>	<u>\$ 24,000</u>	<u>\$ 424,000</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2012	\$ 312,287	\$ 45,584	\$ 357,871
2013	318,134	31,736	349,870
2014	124,222	17,648	141,870
2015	114,678	11,245	125,923
2016	48,216	6,237	54,453
2017	50,469	3,984	54,453
2018	52,811	1,643	54,454
2019	2,746	32	2,778
	<u>\$ 1,023,563</u>	<u>\$ 118,109</u>	<u>\$ 1,141,672</u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 7. Long-Term Liabilities (continued)

Loan Payable

During the year ended June 30, 2005, the County entered into a \$300,000 Community Economic Betterment Account interest-free promissory note agreement payable in 84 monthly payments of \$3,571. However, the County's liability on the note is limited to those amounts collected from the County's good-faith enforcement of a security interest in its note receivable agreement with Relco Locomotives (note 4). Upon exhaustion of the County's rights in the collateral granted by such security interest, the County will have no liability for any deficiency owing on the note except in the event of County fraud, negligence, or gross mismanagement of the loan agreement.

Details of the County's June 30, 2011 loan payable are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>
2012	\$ <u><u>42,857</u></u>

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 69 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage, which is a self-funded medical plan, is administered by First Administrators. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.



MONROE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 8. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 16,339
Interest on net OPEB obligation	300
Adjustment to annual required contribution	<u>(333)</u>
Annual OPEB cost	16,306
Contributions made	<u>(7,720)</u>
Increase in net OPEB obligation	8,586
Net OPEB obligation beginning of year	<u>7,514</u>
Net OPEB obligation end of year	<u><u>\$ 16,100</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$7,720 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 16,306	47.3%	\$ 16,100

**Funded Status and Funding Progress** – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$137,632, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$137,632. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,424,000 and the ratio of the UAAL to covered payroll was 5.7%. As of June 30, 2011, there were no trust fund assets.

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 8. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table projected to 2010 using scale AA.

Projected claim costs of the medical plan are \$633 per month for retirees age 55 to 59 and \$783 per month for retirees age 60 to 64. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$199,656, \$175,995 and \$164,966, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Monroe County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 10. Risk Management (continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2011 were \$110,533.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 10. Risk Management (continued)

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$500,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrators, Inc. from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2011 was \$782,485.

Amounts payable from the Employee Group Health Fund at June 30, 2011 total \$91,058, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$1,208,192 at June 30, 2011 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2010	\$ 11,629
Incurred claims (including claims incurred but not reported at June 30, 2011)	624,641
Payments	<u>545,212</u>
Unpaid claims at June 30, 2011	<u>\$ 91,058</u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 12. Contingent Liability

Landfill Closure Assurance Guaranty

The County participates in an agreement with the South Central Iowa Solid Waste Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency is to provide economic disposal of solid waste produced or generated within the member counties and municipalities.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Agency have been estimated at \$2,316,140. The Agency has begun to accumulate resources to fund these closure costs, and as of June 30, 2011, has \$2,340,740 restricted for this purpose. The Agency is required to accumulate the full amount of funds required for closure and post-closure during the life of the landfill. However, it must have additional mechanisms in place at all times during the life of the landfill to equal 100 percent of the current cost estimates. No financial assurance guaranty was required from the County for the fiscal year ended June 30, 2011.

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Nonmajor Special Revenue Conservation Land Acquisition
Balances June 30, 2010, as previously reported	\$ 1,250,337	\$ 49,401
Change in fund type classification per implementation of GASB Statement No. 54	<u>49,401</u>	<u>(49,401)</u>
Balances July 1, 2010, as restated	<u>\$ 1,299,738</u>	<u>\$ -</u>

The beginning balance of the Governmental Activities has been restated to properly include the loan receivable for the Honey Creek Resort and to remove a copier operating lease improperly classified as a capital lease as shown below.

	Governmental Activities
Balance June 30, 2010, as previously reported	\$ 12,137,237
Effect of loan receivable addition	424,790
Effect of operating lease removal	<u>2,931</u>
Balance July 1, 2010, as restated	<u>\$ 12,564,958</u>

MONROE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 14. Subsequent Events

In December 2011, the County entered into an installment purchase agreement for \$498,456 to purchase four motor graders. The agreement will be paid in ten equal semi-annual payments including interest at 3.35%.

In January 2012, the County approved an amendment to the terms of the Honey Creek Resort general obligation notes that reduced the interest rate from 4.5% to 3.5%.

## Required Supplementary Information

MONROE COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds  
Required Supplementary Information  
Year Ended June 30, 2011

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 4,514,853	\$ 4,783,898	\$ 4,783,898	\$ (269,045)
Interest and penalty on property tax	45,208	3,000	3,000	42,208
Intergovernmental	3,385,802	3,058,817	3,208,817	176,985
Licenses and permits	2,660	750	750	1,910
Charges for service	236,838	164,490	164,490	72,348
Use of money and property	104,545	76,415	76,415	28,130
Miscellaneous	30,117	19,101	19,101	11,016
Total receipts	<u>8,320,023</u>	<u>8,106,471</u>	<u>8,256,471</u>	<u>63,552</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	1,163,923	1,336,123	1,340,733	176,810
Physical health and social services	793,520	926,728	938,928	145,408
Mental health	713,160	941,432	941,432	228,272
County environment and education	302,716	342,773	357,272	54,556
Roads and transportation	2,747,878	2,738,896	3,676,647	928,769
Government services to residents	335,037	383,401	383,401	48,364
Administration	920,047	1,017,724	1,035,724	115,677
Debt service	434,438	458,096	458,096	23,658
Capital projects	408,326	834,500	834,500	426,174
Total disbursements	<u>7,819,045</u>	<u>8,979,673</u>	<u>9,966,733</u>	<u>2,147,688</u>
Excess (deficiency) of receipts over (under) disbursements	500,978	(873,202)	(1,710,262)	2,211,240
Other financing sources, net	<u>3,892</u>	<u>12,000</u>	<u>12,000</u>	<u>(8,108)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	504,870	(861,202)	(1,698,262)	2,203,132
Balance beginning of year	<u>2,868,359</u>	<u>1,843,813</u>	<u>2,903,101</u>	<u>(34,742)</u>
Balance end of year	<u>\$ 3,373,229</u>	<u>\$ 982,611</u>	<u>\$ 1,204,839</u>	<u>\$ 2,168,390</u>

See accompanying independent auditor's report.



# MONROE COUNTY

## Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,320,023	\$ 57,492	\$ 8,377,515
Expenditures	7,819,045	153,754	7,972,799
Net	500,978	(96,262)	404,716
Other financing sources, net	3,892	-	3,892
Beginning fund balances	2,868,359	90,571	2,958,930
Ending fund balances	<u>\$ 3,373,229</u>	<u>\$ (5,691)</u>	<u>\$ 3,367,538</u>

See accompanying independent auditor's report.

## MONROE COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Permanent Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$987,060. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, and for the E-911 System by the Joint E-911 Service Board.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted in any County function and disbursements did not exceed the amounts appropriated.

MONROE COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 138	\$ 138	0.0%	\$ 2,484	5.5%
2011	July 1, 2009	-	138	138	0.0%	2,424	5.7%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

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## Other Supplementary Information

MONROE COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011

	Special Revenue			
	Resource Enhancement and Protection	County Recorder's Records Management	Debt Service	Capital Projects
Assets				
Cash and pooled investments	\$ 54,995	\$ 12,514	\$ 53,455	\$ 157
Receivables:				
Property tax:				
Delinquent	-	-	7,160	-
Succeeding year	-	-	304,000	-
Total assets	<u>\$ 54,995</u>	<u>\$ 12,514</u>	<u>\$ 364,615</u>	<u>\$ 157</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 13,057	\$ -
Deferred revenue:				
Succeeding year property tax	-	-	304,000	-
Other	-	-	7,153	-
Total liabilities	<u>-</u>	<u>-</u>	<u>324,210</u>	<u>-</u>
Fund balances:				
Restricted for:				
Debt service	-	-	40,405	-
Capital projects	-	-	-	157
Conservation purposes	54,995	-	-	-
Other purposes	-	12,514	-	-
Total fund balances	<u>54,995</u>	<u>12,514</u>	<u>40,405</u>	<u>157</u>
Total liabilities and fund balances	<u>\$ 54,995</u>	<u>\$ 12,514</u>	<u>\$ 364,615</u>	<u>\$ 157</u>

See accompanying independent auditor's report.

<u>Permanent</u>	
<u>Ajinomoto Conservation Endowment</u>	<u>Total</u>
\$ 10,041	\$ 131,162
-	7,160
-	304,000
<u>\$ 10,041</u>	<u>\$ 442,322</u>
\$ -	\$ 13,057
-	304,000
-	7,153
-	324,210
-	40,405
-	157
10,041	65,036
-	12,514
<u>10,041</u>	<u>118,112</u>
<u>\$ 10,041</u>	<u>\$ 442,322</u>

MONROE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

	Special Revenue			
	Resource Enhancement and Protection	County Recorder's Records Management	Debt Service	Capital Projects
Revenues:				
Property and other County tax	\$ -	\$ -	\$ 331,186	\$ -
Intergovernmental	11,744	-	11,355	-
Charges for service	-	1,773	-	-
Use of money and property	643	153	1,345	-
Total revenues	<u>12,387</u>	<u>1,926</u>	<u>343,886</u>	<u>-</u>
Expenditures:				
Operating:				
Government services to residents	-	876	-	-
Debt service	-	-	330,650	-
Total expenditures	<u>-</u>	<u>876</u>	<u>330,650</u>	<u>-</u>
Excess of revenues over expenditures	12,387	1,050	13,236	-
Fund balances beginning of year	<u>42,608</u>	<u>11,464</u>	<u>27,169</u>	<u>157</u>
Fund balances end of year	<u>\$ 54,995</u>	<u>\$ 12,514</u>	<u>\$ 40,405</u>	<u>\$ 157</u>

See accompanying independent auditor's report.



<u>Permanent</u>	
<u>Ajinomoto Conservation Endowment</u>	<u>Total</u>
\$ -	\$ 331,186
-	23,099
-	1,773
10,041	12,182
<u>10,041</u>	<u>368,240</u>
-	876
-	330,650
-	<u>331,526</u>
10,041	36,714
-	81,398
<u>10,041</u>	<u>118,112</u>

MONROE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2011

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,529
Other County officials	10,239	487	20,607	-
Receivables:				
Property tax:				
Delinquent	-	-	-	2,303
Succeeding year	-	-	-	110,000
Accounts	-	34	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 10,239</u>	<u>\$ 521</u>	<u>\$ 20,607</u>	<u>\$ 113,832</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 151	\$ -	-
Due to other governments	-	370	-	113,832
Trusts payable	10,239	-	20,607	-
Total liabilities	<u>\$ 10,239</u>	<u>\$ 521</u>	<u>\$ 20,607</u>	<u>\$ 113,832</u>

<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Hospital</u>	<u>Corporations</u>	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 138,550	\$ 79,806	\$ 4,732	\$ 10,672	\$ 35,312	\$ 1,722	\$ 17
-	-	-	-	-	-	-
5,451	121,785	7,126	13,615	12,318	3,991	26
262,000	5,085,000	329,000	649,000	1,508,000	150,000	1,000
-	-	-	-	-	-	-
11,112	-	-	-	-	-	-
<u>\$ 417,113</u>	<u>\$ 5,286,591</u>	<u>\$ 340,858</u>	<u>\$ 673,287</u>	<u>\$ 1,555,630</u>	<u>\$ 155,713</u>	<u>\$ 1,043</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
417,113	5,286,591	340,858	673,287	1,555,630	155,713	1,043
-	-	-	-	-	-	-
<u>\$ 417,113</u>	<u>\$ 5,286,591</u>	<u>\$ 340,858</u>	<u>\$ 673,287</u>	<u>\$ 1,555,630</u>	<u>\$ 155,713</u>	<u>\$ 1,043</u>

MONROE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2011

	Auto License and Use Tax	E-911	City Special Assessments	Advance Tax
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 207,760	\$ 87,707	\$ 2,083	\$ 31,367
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	7,615	-	-
Prepaid expenses	-	905	-	-
Total assets	<u>\$ 207,760</u>	<u>\$ 96,227</u>	<u>\$ 2,083</u>	<u>\$ 31,367</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	-
Due to other governments	207,760	96,227	2,083	-
Trusts payable	-	-	-	31,367
Total liabilities	<u>\$ 207,760</u>	<u>\$ 96,227</u>	<u>\$ 2,083</u>	<u>\$ 31,367</u>

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee		Total
\$	924	\$ 602,181
	-	31,333
	-	166,615
	-	8,094,000
	-	7,649
	-	12,017
<u>\$ 924</u>		<u>\$ 8,913,795</u>
\$	-	\$ 151
	924	8,851,431
	-	62,213
<u>\$ 924</u>		<u>\$ 8,913,795</u>

MONROE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2011

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 10,766	\$ 1,795	\$ 25,482	\$ 112,099
Additions:				
Property and other County tax	-	-	-	108,462
State tax credits	-	-	-	3,577
Payments in lieu of taxes	-	-	-	52
E-911 surcharge	-	-	-	-
Office fees and collections	146	145,541	32,525	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	-
Assessments	-	-	-	-
Interest income	-	-	-	-
Trusts	175	-	76,804	-
Miscellaneous	-	-	-	-
Total additions	321	145,541	109,329	112,091
Deductions:				
Agency remittances:				
To other funds	674	61,139	29,658	-
To other governments	-	85,676	2,867	110,358
Trusts paid out	174	-	81,679	-
Total deductions	848	146,815	114,204	110,358
Balances end of year	\$ 10,239	\$ 521	\$ 20,607	\$ 113,832

<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Hospital</u>	<u>Corporations</u>	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 407,679	\$ 5,444,670	\$ 277,951	\$ 664,257	\$ 1,598,216	\$ 155,500	\$ 1,265
258,397	5,003,002	393,033	639,933	1,386,126	148,878	976
8,466	186,557	11,068	21,145	70,075	4,325	40
204	2,781	162	310	3,318	-	1
-	-	-	-	-	-	-
111	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
267,178	5,192,340	404,263	661,388	1,459,519	153,203	1,017
-	-	-	-	-	-	-
257,744	5,350,419	341,356	652,358	1,502,105	152,990	1,239
-	-	-	-	-	-	-
257,744	5,350,419	341,356	652,358	1,502,105	152,990	1,239
\$ 417,113	\$ 5,286,591	\$ 340,858	\$ 673,287	\$ 1,555,630	\$ 155,713	\$ 1,043

MONROE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2011

	Auto License and Use Tax	E-911	City Special Assessments	Advance Tax
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 188,423	\$ 89,036	\$ 140	\$ 16,058
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Payments in lieu of taxes	-	-	-	-
E-911 surcharge	-	58,928	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, driver licenses, and postage	2,084,311	-	-	-
Assessments	-	-	4,629	-
Interest income	-	1,203	-	-
Trusts	-	-	-	31,207
Miscellaneous	-	1,670	-	-
Total additions	2,084,311	61,801	4,629	31,207
Deductions:				
Agency remittances:				
To other funds	81,417	-	-	-
To other governments	1,983,557	54,610	2,686	-
Trusts paid out	-	-	-	15,898
Total deductions	2,064,974	54,610	2,686	15,898
Balances end of year	\$ 207,760	\$ 96,227	\$ 2,083	\$ 31,367

See accompanying independent auditor's report.



<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ -	\$ 839	\$ 8,994,176
-	-	7,938,807
-	-	305,253
-	-	6,828
-	-	58,928
-	5,231	183,554
-	-	2,084,311
-	-	4,629
-	6	1,209
146,079	-	254,265
-	-	1,670
<u>146,079</u>	<u>5,237</u>	<u>10,839,454</u>
-	-	172,888
-	5,152	10,503,117
<u>146,079</u>	<u>-</u>	<u>243,830</u>
<u>146,079</u>	<u>5,152</u>	<u>10,919,835</u>
\$ -	\$ 924	\$ 8,913,795

MONROE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
<b>Revenues:</b>				
Property and other County tax	\$ 4,586,232	\$ 3,881,781	\$ 3,834,653	\$ 3,745,260
Interest and penalty on property tax	45,079	38,146	39,229	38,012
Intergovernmental	3,383,998	3,039,879	3,276,523	2,895,924
Licenses and permits	2,700	1,880	1,890	1,390
Charges for service	235,812	236,927	223,518	238,158
Use of money and property	97,623	95,820	127,306	191,026
Miscellaneous	26,071	87,541	61,883	64,585
<b>Total</b>	<b>\$ 8,377,515</b>	<b>\$ 7,381,974</b>	<b>\$ 7,565,002</b>	<b>\$ 7,174,355</b>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	\$ 1,166,839	\$ 1,105,998	\$ 1,080,991	\$ 1,078,661
Physical health and social services	813,476	832,829	861,323	750,894
Mental health	737,016	760,724	748,216	784,399
County environment and education	298,548	291,736	243,782	609,350
Roads and transportation	2,799,411	2,836,146	2,999,673	3,164,319
Government services to residents	338,963	331,811	448,299	275,201
Administration	890,568	851,811	906,215	878,986
Debt service	448,052	465,290	642,935	226,063
Capital projects	479,926	343,167	761,535	977,638
<b>Total</b>	<b>\$ 7,972,799</b>	<b>\$ 7,819,512</b>	<b>\$ 8,692,969</b>	<b>\$ 8,745,511</b>

See accompanying independent auditor's report.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	3,719,710	\$ 3,299,545	\$ 3,080,565
	124,528	36,861	41,246
	2,897,772	3,419,355	3,308,942
	715	490	505
	240,365	252,875	248,374
	195,205	171,331	133,310
	42,154	32,010	24,023
	<u>\$ 7,220,449</u>	<u>\$ 7,212,467</u>	<u>\$ 6,836,965</u>
\$	1,008,343	\$ 1,042,222	\$ 933,073
	705,034	668,924	671,063
	857,955	795,100	1,077,603
	264,183	260,494	595,876
	2,350,659	2,822,780	2,384,357
	264,770	332,531	275,864
	863,002	853,821	912,850
	409,729	270,955	273,830
	447,538	1,117,862	566,999
	<u>\$ 7,171,213</u>	<u>\$ 8,164,689</u>	<u>\$ 7,691,515</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Monroe County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon March 27, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Monroe County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monroe County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Monroe County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Monroe County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Monroe County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Monroe County and other parties to whom Monroe County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Monroe County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
March 27, 2012

MONROE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2011

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Recorder, Sheriff
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Recorder, Sheriff
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Recorder

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

MONROE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2011

Part I: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

I-A-11 Segregation of Duties (continued)

Responses –

Ag Extension – We have some compensating controls in place including a general review by the Ag Extension Director and the Ag Extension Council. With a limited number of employees, further segregation is not feasible at this time.

County Recorder – We have some compensating controls in place. We have set up various checks and reviews and employees alternate duties from month to month. With our limited number of employees, further segregation of duties is not feasible at this time.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

I-B-11 Electronic Data Processing Systems – During our review of internal controls, the existing control activities in the County’s computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weakness in the County’s computer based systems was noted.

The County does not have a written disaster recovery plan in case of computer failure or destruction.

Recommendation – The County should develop a written disaster recovery plan in order to improve the County’s control over computer based systems.

Response – The County will review the above, and take appropriate action as necessary.

Conclusion – Response accepted.

MONROE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted in any County function and disbursements did not exceed the amounts appropriated.

II-B-11 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Key Equipment Finance	Late fees on lease payments	\$1,387

Recommendation – The County should pay the monthly balance due on the capital lease purchase agreement timely to avoid interest and late fees.

Response – We made a settlement with the leasing company on late fees after a dispute over the insurance part of the agreement. Payments will be on time in the future.

Conclusion – Response accepted.

II-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-11 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Aaron Kelly, employee, Owner of Kelly Komputers	Computer services	\$790
Ray Vitko, employee, Co-owner of Vitkos	Fuel/vehicle parts	\$807

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions noted above do not appear to represent conflicts of interest since the amount for each individual was less than \$1,500 during the fiscal year.

II-E-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

II-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.



MONROE COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-H-11    Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-11    County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.